



# COMPLEX FINANCIAL INSTRUMENTS VALUATION

## FEATURED ENGAGEMENTS



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## COMPLEX FINANCIAL

## INSTRUMENTS VALUATION

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## Complex Financial Instruments Valuation

Independent valuation service requirements amongst the non-banking financial sector has grown over the past decade. Boards of directors, management committees, trustees, investors, auditors, and regulators are increasingly seeking independent valuation appraisals for investment portfolios as exposure to illiquid and alternative investment assets grows in an economic environment underpinned by low yield within traditional investment products.

As asset managers, funds and PE shops actively invest in alternative investments, they seek out portfolio valuation opinion and advisory services for acquisitions and dispositions from trusted and experienced professionals.

Law firms require the help of experienced valuation professionals to help them navigate complex commercial disputes and to provide their clients' due diligence services for mergers and acquisitions, as well as distressed litigation. Regulated banks and regulators look for professional services with assistance around recovery and resolution valuations, stress test valuations, and other resilience-based valuation metrics. The need for experienced valuations professionals who can provide perspective on underlying asset classes and can take advantage of evolving analytics takes center stage. Financial services firms seek to harness the power of bespoke and commoditized analytics, combined with data and technology, to build viable solutions for their valuation needs.

## Ocean Tomo Services

Intangible assets comprise more than eighty percent of business value but are also subject to significant impairment due to enterprise and regulatory compliance risk. Ocean Tomo, the Intellectual Capital Merchant Bank™ firm, provides a comprehensive set of products and services to help our clients realize their Intellectual Capital Equity® value as well as to manage systemic risk which may threaten these same assets or their benefit for stakeholders. Ocean Tomo offers specialist valuation services and solutions for law firms, financial services, energy, commodity, and corporate clients. We value financial assets and liabilities across the balance sheet spectrum and offer independent portfolio and asset/transaction level valuations.

Ocean Tomo utilizes and deploys best in class and audit compliant valuation analytic tools. We offer fully outsourced, engagement specific valuation support that allows clients to take advantage of our competitively priced shared services model.

Our valuation resources include quantitative professionals with alternative investment and banking and quantitative modeling backgrounds. Our team of technical accounting and corporate finance professionals has deep experience in valuing financial instruments, investments, and illiquid portfolios.



## COMPLEX FINANCIAL INSTRUMENT VALUATION

# RECOVERY AND RESOLUTION VALUATION-BANKING\*

## Background

Federal Reserve examiners reviewed the Comprehensive Capital Analysis and Review (CCAR), and Dodd-Frank Act Stress Tests (DFAST) processes, related to Dodd-Frank regulatory compliance, of a large US Bank that was a systemically important financial institution (SIFI). The Fed review concluded that the bank needed to augment its stressed valuation scenarios, enhance its living will and recovery and resolution process documentation. The bank separately decided to perform an independent valuation assessment for its balance sheet assets, for fair market value and stressed scenarios.

## Engagement

Valuation professionals completed a valuation forensics exercise along with the commercial banking teams originating the loans. This included coordination with credit, risk and finance teams responsible for booking the trades. It involved working with the bank's economists and pricing quants to assess the veracity of the stress scenarios and assumptions made. A central clearing house for enterprise data was established and independent valuations performed.

## Results

Valuation professionals assisted the bank enhance documentation related to the stress testing and recovery and resolution scenarios. Detailed valuation reports by loan portfolio were created after conducting independent valuations. This assisted the bank in re-submitting a CCAR and DFAST recovery and resolution plan to the Federal Reserve later that year.

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# DISTRESSED VALUATION-BANKING\*

## Background

The European Union Single Resolution Board issued bids for the procurement of 'advice and assistance on economic and financial valuation' services to various legal and financial advisory consulting firms. The engagement involved reviewing and enhancing documented recovery and resolution options for a distressed Cypriot bank. It required a reconciliation of the bank's portfolio valuations to market values, to assess the regulatory capital injection required to keep the bank solvent.

## Engagement

A 20+ Billion EUR portfolio was reviewed. It included residential and commercial mortgages, debt, derivatives, consumer and commercial loans, structured credit products, equities and other securities. An independent valuation assessment of all the financial assets including a detailed review of input parameters, calibrations, models utilized was completed. The exercise was conducted in conjunction with regulators and legal partners.

## Results

A quarterly balance sheet valuation reporting process was put in place for the board of directors of the bank, and the regulatory authorities coordinating with the bank. Market valuations and portfolio assessments helped identify assets that could be sold to alleviate capital injection needs. Legal partners were supplied with stress and scenario valuations, and documentation on the underlying assets and valuation methodologies utilized.

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## COMPLEX FINANCIAL INSTRUMENT VALUATION

# COMMODITY PORTFOLIO VALUATION-FUND MANAGER\*

## Background

A fund manager employing a multi-strategy trading approach required outsourced portfolio valuations for a portfolio of commodity derivatives, and structured commodity trades. The underlying commodity assets included crude oil and oil products, natural gas, power, precious and base metals, and agricultural products.

## Engagement

Valuation processes and tools were set up to support a bi-monthly independent valuation report. A combination of third-party vendor tools, data sources and some bespoke model builds were deployed to meet the valuation needs of the client. Illiquid exposures were valued and calibrated to available marks and modeled in other cases.

## Results

A transparent and updatable portfolio valuation process was supported on an outsourced basis. The client had the right to request multiple valuation iterations if they needed it intra month. The valuation governance processes of the firm were enhanced with additional documentation and due diligence. The client was able to save significantly on costs related to onboarding of systems, personnel and controls by outsourcing 'commodity' portfolio valuations.

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# PORTFOLIO VALUATION- ALTERNATIVE ASSET MANAGER\*

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## Background

A portfolio of illiquid private placement loans and securities; credit contingent swaps and synthetic collateralized debt obligations, needed to be independently valued for the alternative asset management division of a leading insurance firm.

## Engagement

We built bespoke valuation models for each of the underlying asset classes. The analytic models supporting it, along with calibrated market data inputs and date feeds were institutionalized to be able to update valuations monthly and quarterly. This enabled the dissemination of valuations and related reports to the finance and controllership teams of the organization in a timely manner for month end processes.

## Results

Repeatable data analytics powered valuations implied that the initial investment made up front by the client in the process, paid for itself when it became a repeatable process, along a falling cost curve.

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Ocean Tomo, the Intellectual Capital Merchant Banc™ firm, provides companies with financial services related to intellectual property and intangible assets including financial expert testimony, intellectual property and complex financial instrument valuation, strategy consulting, risk and regulatory compliance, patent analytics, investment advisory, innovation management consulting and transaction brokerage.

Our Opinion, Management, and Advisory Services are built upon more than three decades of experience valuating intellectual property in the most rigorous of venues – State, Federal and international courts. Our financial, market and technical experts provide a unique understanding of the contributory value of proprietary innovation. This is the cornerstone of our business. This insight permeates every practice and client engagement.

Collectively, Ocean Tomo professionals have:

- Completed over 1000 engagements involving IP worth in excess of \$10 billion including over 300 valuation and 500 financial damages expert testimony engagements;
- Successfully closed hundreds of IP sale transactions with a cumulative transaction value well in excess of \$750 million;
- Served as a trusted advisor involving the biggest IP transactions in history;
- Originated more successful IP monetization solutions than any other firm, including creation of the world's oldest and most successful live patent auction.

Our track record of results spans more than 100 different industry segments. Because our past success provides the best indication of our capabilities, we are proud to feature a few representative engagements and encourage potential clients to seek references from past clients.

Headquartered in Chicago, Ocean Tomo has offices in Greenwich, Houston, and San Francisco.

Subsidiaries of Ocean Tomo include: Ocean Tomo Investment Group, LLC, a licensed broker-dealer under Federal and State securities law (brokercheck.finra.org Broker Check CRD #: 172912); OTI Data Networks, LLC and Patent Marking, LLC.

Ocean Tomo assists clients – corporations, law firms, governments and institutional investors – in realizing Intellectual Capital Equity® value broadly defined.



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